



**6450-01-P**

## **DEPARTMENT OF ENERGY**

### **Southeastern Power Administration**

Proposed Rate Extension and Opportunities for Public Review and Comment for the Cumberland System

**AGENCY:** Southeastern Power Administration, DOE

**ACTION:** Notice of proposed rate extension

**SUMMARY:** Southeastern Power Administration (Southeastern) proposes to extend the existing schedules of rates and charges applicable to the sale of power from the Cumberland System effective for a two-year period, October 1, 2013, through September 30, 2015.

**DATES:** Written comments are due on or before **[INSERT DATE 30 DAYS AFTER DATE OF PUBLICATION IN THE FEDERAL REGISTER]**.

**ADDRESSES:** Written comments should be submitted to: Administrator, Southeastern Power Administration, U. S. Department of Energy, 1166 Athens Tech Road, Elberton, Georgia, 30635-6711.

**FOR FURTHER INFORMATION CONTACT:** Virgil Hobbs, Assistant Administrator, Finance & Marketing, Southeastern Power Administration, U. S. Department of Energy, 1166 Athens Tech Road, Elberton, Georgia, 30635, (706) 213-3800.

**SUPPLEMENTARY INFORMATION:** By Delegation Order No. 00-037.00, effective December 6, 2001, the Secretary of Energy delegated: (1) the authority to develop power and transmission rates to Southeastern's Administrator; (2) the authority to confirm, approve, and place such rates into effect on an interim basis to the Deputy Secretary of Energy; and (3) the

authority to confirm, approve, and place into effect on a final basis, to remand or to disapprove such rates to the Federal Energy Regulatory Commission (FERC).

By order issued December 22, 2011 (137 FERC ¶ 62,249), FERC confirmed and approved on a final basis Wholesale Power Rate Schedules CBR-1-H, CSI-1-H, CEK-1-H, CM-1-H, CC-1-I, CK-1-H, CTV-1-H, CTVI-1-A, and Replacement-3 (collectively, SEPA-55 Rate Schedules) for the period from October 1, 2011, through September 30, 2013. In accordance with 10 CFR 903.23(a), Southeastern proposes to extend the SEPA-55 Rate Schedules without an adjustment.

The SEPA-55 Rate Schedules are associated with the Cumberland System (System), which consists of nine projects in the Cumberland River Basin in Tennessee and Kentucky. Under normal operating conditions, the System provides 950 MW of capacity and 2,991,000 MWh of average annual energy to 25 preference entities that serve 210 preference customers in Alabama, Georgia, Illinois, Kentucky, Mississippi, North Carolina, Tennessee and Virginia.

At present, peaking operation cannot be supported from the System due to operating restrictions on the Wolf Creek and Center Hill Projects imposed by the U. S. Army Corps of Engineers (Corps). The operating restrictions will remain in effect until earthen embankment repairs are complete to prevent the failure of these two dams. Southeastern has implemented an Interim Operating Plan to provide energy without capacity to the customers while the Wolf Creek and Center Hill dam safety repairs are finalized. The Wolf Creek Dam work is expected to be completed in December 2013 and the Center Hill earthen dam repair is scheduled to be complete early in fiscal year 2015.

The existing rate schedules are predicated upon an August 2011 repayment study and other supporting data. The current rate schedules exclude the dam safety repair costs discussed

above. A repayment study prepared in January of 2013 shows existing rates are adequate to meet repayment criteria, excluding the dam safety costs. Southeastern is proposing to extend the existing rate schedules for two years. The extension of these rate schedules would extend the term to September 30, 2015.

The rate schedules Southeastern proposes to extend include three rate scenarios per rate schedule. Each of the rate scenarios has a revenue requirement of \$59,600,000. The first rate scenario is currently in effect. In the event the other two rate scenarios go into effect during this proposed rate extension, they are described below.

The first rate scenario includes the rates necessary to recover costs while the Interim Operating Plan is in effect. The rate is a flat 17.69 mills per kilowatt-hour for all Cumberland energy. The customers pay a ratable share of the transmission credit provided to Tennessee Valley Authority (TVA) for delivery of capacity and energy for the benefit of other customers.

The second rate scenario would go into effect if some portion (but not all) of the System capacity can be scheduled. This scenario recovers cost from capacity and energy and would be implemented once the Corps restores the lake levels at the Wolf Creek and Center Hill Projects. When the lake level rises and capacity is available, the capacity would be allocated to the customers. Southeastern cannot predict the rates under the second scenario absent a determination concerning how much of the partial System will be brought back online.

The third rate scenario is based on the original Cumberland Marketing Policy and would go into effect once the Corps lifts all restrictions on the System. All costs are recovered from capacity and excess energy. Because the third rate scenario is more complicated than the first scenario, Southeastern provides the following table to explain how it would apply to the SEPA-55 Rate Schedules if it goes into effect:

## **Cumberland System Rates**

### **Third Scenario - Return to Original Marketing Policy**

#### **Inside TVA Preference Customers (Rate Schedules CTVI-1-A, CTV-1-**

Capacity and Base Energy:	\$2.779 per kW/Month
Additional Energy:	10.358 mills per kWh
Transmission:	Pass-through

**Outside TVA Preference Customers** (Rate Schedules CBR-1-H, CSI-1-H, CM-1-H, CK-1-H)

Capacity and Base Energy: \$4.245 per kW/Month

Additional Energy: 10.358 mills per kWh

**Customers Served through Carolina Power & Light Company** (Rate

Capacity and Base Energy: \$4.832 per kW/Month

Transmission: \$1.4779 per kW/Month

**East Kentucky Power Cooperative** (Rate Schedule CEK-1-H):

Capacity: \$2.95 per kW/Month

Energy: 10.358 mills per kWh

The referenced repayment study is available for examination at 1166 Athens Tech Road, Elberton, Georgia, 30635-6711. Rate Schedules CBR-1-H, CSI-1-H, CEK-1-H, CM-1-H, CC-1-I, CK-1-H, CTV-1-H, CTVI-1-A, and Replacement-3 are also available.

After publication of this Notice and review of public comments, Southeastern will take further action on the proposed extension of rates consistent with 10 CFR part 903.

Dated: March 19, 2013

Kenneth E. Legg  
Administrator

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